

Message Text

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PARIS FOR LABATT

E.O. 11652: N/A

TAGS: ECON, ELAB, MR

SUBJ: MAURITANIA ADOPTS NEW WAGE-PRICE POLICY

SUMMARY: IN RESPONSE INCREASINGLY VOCAL DISSATISFACTION WITH COST OF LIVING GIRM ANNOUNCED NOVEMBER 7 PUBLIC AND PRIVATE SECTOR SALARY INCREASES OF MORE THAN 60 PERCENT AT BOTTOM OF WAGE SCALE TO 8 PERCENT AT TOP. BLOOM TAKEN OFF ROSE WITH SIMULTANEOUS ANNOUNCEMENT THAT DUE TO WORLD WIDE INFLATION PRICE OF SUGAR WOULD BE INCREASED 375 PERCENT AND RICE 64 PERCENT. WITH ONLY 1.6 PERCENT OF MAURITANIAN POPULATION SALARIED AND AFFECTED BY OFFSETTING WAGE INCREASE, CREATION OF ECONOMIC COMMISSION ANNOUNCED THAT WILL RECOMMEND MEASURES TO EASE EFFECTS OF PRICE INCREASES ON RURAL POPULATION. COMMISSION ALSO CHARGED WITH RECOMMENDING "MORE COMPLETE AND MORE RADICAL" OVERHAUL MAURITANIA'S TROUBLED ECONOMY.

1. ONE WEEK AFTER GOS TOOK SIMILAR ACTION (DAKAR 6001 NOTAL)

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MINISTER OF CULTURE AND INFORMATION BABA EXPLAINED NEW

WAGE-PRICE POLICY NOVEMBER 7 ON NATIONAL RADIO. WAGES IN BOTH PUBLIC AND PRIVATE SECTORS WILL BE INCREASED FROM OVER 60 PERCENT AT BOTTOM OF WAGE SCALE TO ONLY 8 PERCENT IN UPPER BRACKETS. THE HOOKER WAS THE SIMULTANEOUS ANNOUNCEMENT OF A 375 PERCENT INCREASE IN PRICE OF SUGAR (FROM 29 UM TO 109 UM OR DOLS 2.47 PER KILO) AND RICE 64 PERCENT (FROM 12 UM TO 19 UM OR DOLS .47 PER KILO). AS IN EARLY 1974 WHEN GIRM FOLLOWED GOS BY RAISING WAGES 15 PERCENT, GIRM BLUNTS UNFAVORABLE COMPARISON AND SMUGGLING WITH ITS LARGEST TRADING PARTNER BY EQUALING SENEGAL'S PERCENTAGE INCREASES IN SALARIES AND POSTING COMPARABLE COMMODITY PRICES. NOTABLE EXCEPTION IS NEW SUGAR PRICE WHICH IS TWICE THAT IN SENEGAL.

2. DESPITE 375 PERCENT INCREASE PRICE OF SUGAR MINISTER BABA WAS QUICK TO REMIND THAT DOMESTIC PRICE STILL BELOW WORLD PRICE AND THAT GIRM SUBSIDIZED PRICES OF SUGAR, TEA AND RICE IN 1974 AT COST OF 375 MILLION OUGIYA (DOLS 8.5 MILLION).

3. WITH ONLY 20,000 SALARIED WORKERS IN THIS COUNTRY OF 1.2 MILLION BABA STRESSED GIRM UNDERSTOOD PRICE INCREASES WOULD MOST SERIOUSLY EFFECT THE 98.4 PERCENT OF MAURITANIA'S UNSALARIED RURAL AND NOMADIC POPULATION UNAFFECTED BY THE WAGE INCREASES. WITH THIS IN MIND GIRM HAS CREATED SPECIAL ECONOMIC COMMISSION COMPOSED OF THE MINISTERS OF PLAN AND INDUSTRIAL DEVELOPMENT, COMMERCE AND TRANSPORT, PUBLIC WORKS (EQUIPMENT), FINANCE AND GOVERNOR OF THE CENTRAL BANK WHICH WILL DRAW UP PLAN OF ACTION BEFORE END OF YEAR TO AID RURAL POPULATION IN THIS TIME OF INFLATION. THE NEW COMMISSION IS ALSO TO MAKE RECOMMENDATIONS FOR A "MORE COMPLETE AND MORE RADICAL" CHANGE IN MAURITANIA'S ECONOMY.

4. COMMENT: PRESIDENT OULD DADDAH PROPERLY CONCERNED WITH HIS LONG NEGLECTED HOME FRONT. DURING LAST 12 MONTHS THE PRESIDENT, MOST OF HIS MINISTERS AND MANY SUB-CABINET OFFICIALS HAVE JETTED AROUND THE WORLD PURSUING PETRO-DOLLARS IN THE MID-EAST, AID PROJECTS IN PEKING AND POLITICAL CACHE IN THIRD-WORLD FORUMS (SEE A-59). MEANWHILE AT HOME THE EFFECTS OF WORLD WIDE INFLATION, A BREAK-NECK INDUSTRIAL DEVELOPMENT PROGRAM, AND CREDIT AND EXCHANGE DIFFICULTIES ATTENDING LAST LIMITED OFFICIAL USE

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YEARS CREATION OF A NATIONAL CURRENCY HAVE PRODUCED DANGEROUS IMBALANCES IN MAURITANIA'S ECONOMY (SEE A-31). WITH TOU PRESIDENT SCHEDULED TO MAKE HIS ANNUAL STATE OF THE NATION SPEECH NOVEMBER 28 AND A SIMILAR ADDRESS IN EARLY 1975 AT A LONG DELAYED PARTY CONGRESS, OULD DADDAH NEEDS SHOW ACTION TO EASE DOMESTIC SITUATION. WHAT IS MEANT BY "MORE COMPLETE AND MORE RADICAL" CHANGE IN ECONOMY REMAINS TO BE SEEN BUT IT WILL CERTAINLY CENTER ON MORE RAPID "MAURITANIZATION"

OF THE ECONOMY THROUGH THE ELIMINATION OF FOREIGN MIDDLEMEN
OR, AT LEAST THEIR REPLACEMENT BY MAURITANIANS. SMITH

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